

CAPITAL PLANNING ADVISORY BOARD

Minutes of the 1st Meeting of the 2005 Calendar Year

July 12, 2005

The 1st meeting of the Capital Planning Advisory Board (CPAB) of the 2005 Calendar Year was held on Tuesday, July 12, 2005, at 9:00 AM, and Wednesday, July 13, 2005, at 9:00 AM in Meeting Room A, at the Council on Postsecondary Education offices at 1024 Capital Center Drive in Frankfort. Senator Jack Westwood, Co-Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Jack Westwood, Co-Chair; Representative Perry Clark, Co-Chair; Senator David Boswell, Representative Ron Crimm, Bradford Cowgill, Jason Nemes, Paul Gannoe, Bill Hintze, William May, Norma Northern, Laurel True, Garlan Vanhook, and Melinda Wheeler.

Guests: Deputy Secretary John Farris and Jamie Link, Director of the Office of Administrative Services, Finance and Administration Cabinet; Tommy Greenwell, Executive Director, Office of Administrative and Information Services, and Steve Kull, Division of Forestry, Environmental and Public Protection Cabinet; Jerry Miller, Executive Director for Finance and Administration, Commerce Cabinet; President Tom Layzell and Ms. Sandra Woodley, Vice President for Finance, Council on Postsecondary Education; President Lee Todd and Vice President for Planning, Budget and Policy Angela Martin, University of Kentucky; Dr. John Osborne, Associate Vice President of Campus Services and Facilities, Western Kentucky University; Larry Owsley, Vice President for Business Affairs, University of Louisville; President James Votruba and Bob Farrell, Associate Provost for Economic Initiatives, and Ken Ramey, Vice President for Administration and Finance, Northern Kentucky University; Tom Denton, Vice President for Finance and Administrative Services, and Dr. Dewey Yeatts, Chief Facilities Officer and Associate Vice-President, Murray State University; Dr. Rubye Williams Jones, Associate Provost and Vice President for Student Affairs, and Michelle Brown-Rall, Associate Vice President for Facilities Operations, Kentucky State University; Ken Walker, Vice President for Finance, and Gary Cloyd, Director Facilities, Kentucky Community and Technical College System; James Street, Director of Facilities Services, Eastern Kentucky University; Mike Burnside, Undersecretary for Administrative and Fiscal Affairs, Rob Edwards, Office of Fiscal Services Executive Director, and Sam Dunn, Chief Information Officer, Cabinet for Health and Family Services; Greg Rush, Staff Assistant, Justice and Public Safety Cabinet; Commissioner Bridget Brown, Department of Juvenile Justice, Commissioner Mark Miller, Kentucky State Police, Deputy Commissioner Herb Bowling, Department of Criminal Justice

Training, Commissioner John Rees, Department of Corrections, Adjutant General Donald Storm, Department of Military Affairs; General Les Beavers, Department of Veterans Affairs; Commissioner Wayne Harmon, Department for Personnel Administration/Personnel Cabinet; Charles Wheeler, Executive Director, Northern Kentucky Convention Center; Robin Kinney, Associate Commissioner of Internal Administration, and Bill Stearns, Liaison to the School for the Blind and School for the Deaf, Department of Education; Secretary Virginia Fox, Education Cabinet; Don Mullis, Chief Operations Officer, Kentucky Retirement Systems; Steve Reeder, Director, Kentucky River Authority; Debra Gabbard, Executive Director of the Office of Budget and Fiscal Management, Spencer Sullivan, Assistant Director of the Division of Property and Supply, and Chuck Knowles, Deputy State Highway Engineer Transportation Cabinet; and Commissioner Mike Inman of the Commonwealth Office for Technology, Finance and Administration Cabinet.

LRC Staff: Pat Ingram, Committee Staff Administrator; Mary Lynn Collins; Nancy Osborne, and Debbie Rodgers.

Senator Westwood welcomed members, presenters, and other legislators to the meeting and noted the presence of former CPAB chair Representative Fred Nesler.

Due to the lack of a quorum at the start of the meeting, action on minutes of the December 9, 2004 meeting was deferred. Representative Crimm's motion to approve the minutes during the afternoon session was seconded and approved by voice vote.

At the request of Senator Westwood, Ms. Ingram reviewed the materials provided in the Overview section of the members' notebooks. They addressed the timeline for the 2006-2012 capital planning process, the required content of the agency plans, and the format for the two-day meeting. She also explained the materials that were provided in the notebooks regarding each agency plan to be reviewed. Finally, Ms. Ingram noted some trends and issues that staff had identified in reviewing the various plans. They include the increased use of Energy Savings Performance Contracts for improvements that would result in energy savings, proposals to consolidate offices for purposes of efficiency and effectiveness, and various proposals for additional funding to complete projects authorized in prior budgets.

Ms. Ingram also briefly referenced the materials addressing agency plans that contained only a status report or a single proposed project and for which agency representatives were not asked to be present. She said any questions from members about those plans would be forwarded to the appropriate agency for response.

Ms. Ingram then proceeded to the review of the agency plans. In each instance (unless otherwise noted), a CPAB staff presentation of the agency's programs, facilities, and current projects as provided in the Staff Analysis and Comments document, was followed by a presentation from an agency representative and questions from the Board.

Finance and Administration Cabinet - Deputy Secretary John Farris and Jamie Link, Director of the Office of Administrative Services, reviewed a handout that had been prepared by the Cabinet and distributed to the members. Deputy Secretary Farris explained that the Cabinet now acts as the primary collector of funds (Department of Revenue), technology provider (Commonwealth Office of Technology), and landlord to state government (Department for Facilities and Support Services). He said the proposed projects are centered around three major initiatives - tax modernization, information technology consolidation, and space consolidation.

Before reviewing these initiatives, Mr. Link reported on the status of various current projects including the Frankfort State Office Building renovation. He said the first phase, abatement of hazardous materials, is complete, and procurement of construction services for Phase II is underway. An additional phase is proposed to fit-up the building for occupancy. Mr. Link noted that the adjacent three-story annex building was also recently renovated to house the Justice and Public Safety Cabinet. He said significant savings were realized by using inmate labor, and partnering with the Department of Corrections to use inmate labor is an option that may be used in the future.

Relative to the tax modernization initiative, Mr. Link said the Cabinet is proposing a comprehensive tax system to be implemented in three phases over the six years of the planning period. Relative to information technology, there is a proposal for the additional funds needed to upgrade the current Kentucky Emergency Warning System (KEWS) from an analog to a digital network. Also proposed is a Data Center Readiness project to upgrade the security level of the Commonwealth Data Center, and Kentucky Infrastructure Preparedness to provide a second mainframe computer and off-site remote data storage to allow Kentucky the ability to recover from catastrophic failure of its technology systems.

Mr. Link said several projects are included in the initial biennium for space consolidation and reduction of leased space. They include completing the Frankfort State Office Building renovation, construction of new state-owned space on Sower Boulevard (the Revenue Department is a potential candidate to be consolidated/housed in such space), and design and renovation of the Capital Plaza Tower and site. This category also encompasses the KY State Capitol restoration and annex renovation project, which includes construction of a new executive office building.

As items that could affect the Cabinet's physical plant or information technology systems, Mr. Link identified maintenance staffing issues, security concerns, space consolidation, energy costs, and any further expansion plans of the General Assembly in the Capitol Annex. He also noted that moving agencies to newly constructed or renovated state-owned space could have an impact on the Franklin County lease market that would be advantageous to the Commonwealth in using leased space as swing space for subsequent renovations of major facilities. Mr. Link further indicated that the Cabinet had

supported the legislation proposed by Co-Chairman Clark in the 2005 General Assembly to establish capital renewal accounts for new state buildings.

Mr. Hintze asked how the tax modernization project relates to the similar proposal funded through the Empower Kentucky initiative in the 1990s. Mr. Brad Thomas, Executive Assistant in the Department of Revenue, responded that the previous effort had tried to replace systems before adequate systems were available from the vendor community, and some of the funds were returned unused to the General Fund. He said the vendor community has had some success now in other states.

Responding to Mr. Hintze's question as to whether the final phase of the State Office Building renovation as proposed for 2006-08 must be completed in order to move agencies into the building, Department for Facilities and Support Services Commissioner Jim Abbott said the current phase will address only the mechanical systems and the final phase is necessary to fit up the building to be re-occupied.

Relative to Mr. Vanhook's questions about new state office buildings in Frankfort, Mr. Abbott said the prototypes that have been developed would allow for the construction of from 80,000 SF to 127,000 SF of space providing for flexibility in both the size of the building and funding needs.

Senator Westwood asked about previously proposed projects to renovate buildings in the Human Resources complex. Mr. Link explained that some of the needed work has been undertaken through Energy Savings Performance Contracts and other small projects, but there is still a long-range plan for additional renovation.

In response to Representative Clark's question about the proposal to establish capital renewal accounts for state buildings, Deputy Secretary Farris said Secretary Rudolph expects to begin working soon with the postsecondary education community to develop a mutually acceptable proposal for consideration by the General Assembly.

Addressing Representative Clark's questions about the status of implementing the Archibus real properties management database system, Commissioner Abbott said the Cabinet is close to finalizing an agreement for the Department of Insurance to do building condition assessments in conjunction with the insurance assessments they already do every three years. The Finance Cabinet would underwrite a portion of the additional cost involved.

Representative Crimm asked if there is a goal to reduce the amount and cost of space leased by state government in Franklin County. Commissioner Abbott said the goal is to reduce the current 28% of state occupied space being leased down to 15%. When the State Office Building is re-occupied, the amount will be reduced to about 20%, and construction of the prototype buildings would achieve the 15% goal. Additional smaller projects - such as renovating and occupying the Jones Building - would also help reach

the goal. However, Commissioner Abbott also noted that employees now being moved from the Capitol Annex are having to be placed in leased space. He said moving employees from leased space to the State Office Building should have a positive impact on controlling the cost of leased space. Mr. Hintze added that renovation of the State Office Building to relocate employees from leased space has been proposed for a long time, and that significant savings in lease costs could have been realized had that project been undertaken on a timely basis.

Environmental and Public Protection Cabinet - Mr. Tommy Greenwell, Executive Director, Office of Administrative and Information Services, explained that the Cabinet's project priorities are based on providing for safety and public health based on statutory and court ordered requirements, maintaining existing programs, and meeting federal mandates of the federal Environmental Protection Agency.

Responding to Mr. Hintze's question, Mr. Greenwell said the funding proposed for the State-Owned Dam Repair pool should be sufficient to complete work on the Willisburg Lake, Beshear Lake, and Bullock Penn Lake dams.

Relative to Representative Crimm's question about the proposal for a new 200-acre tree nursery, Mr. Steve Kull of the Division of Forestry, said it would replace the 100-acre nursery at Gilbertsville, which would then be used as the site for a district office and for land management demonstrations.

Commerce Cabinet - Jerry Miller, Executive Director for Finance and Administration, reviewed the handout which had been distributed to CPAB members. He noted that the Cabinet's focus is on maintaining existing facilities. But on a selective basis, new facilities will be proposed where there are significant economic benefits to be realized - e.g., the Indoor Arena at the Kentucky Horse Park and the Louisville Arena.

Relative to the state funds of \$163 million in the State Fair Board's plan for the Louisville Arena, Mr. Miller noted that the Kentucky Fair and Exposition Center site would be the least costly, but the location is still under consideration. Additionally, Commerce Secretary Host has indicated the facility would be financed through a combination of public and private funds with the state portion expected to be less than \$100 million regardless of the site.

Responding to Representative Crimm's question about General Butler State Resort Park, Department of Parks Commissioner George Ward said the intent is to demolish the existing ski lodge. The Department is working with a committee of Native Americans wishing to construct a museum and heritage center in that section of the park.

Senator Westwood asked about recent trends in attendance at the Kentucky Horse Park (KHP). John Nicholson, KHP Executive Director, said nearly 900,000 people each year use the park - 300,000 as tourists; 350,000 for equestrian events; and the balance

divided among other activities. The growth area is in attendance at equestrian events, and efforts are being made to increase tourism attendance (e.g., through development of a hotel).

In response to further questions from Senator Westwood and Mr. Hintze, Mr. Nicholason said three sites are under consideration to host the World Equestrian Games - the Normandy region of France, the United Arab Emirates, and the Kentucky Horse Park. Both the proposed state-funded indoor arena and the hotel to be privately developed are important parts of the KHP bid for the Games. He said it is important that design for the arena proceed with the funding provided in the 2004-06 budget so that it is clear the facility can be completed by 2010.

Mr. Hintze asked Commissioner Ward to comment on the condition of the state parks and the use of the 2004-06 Parks Renovation Pool, and to specifically address the \$17 million in campground improvements proposed for 2006-08. Commissioner Ward said his philosophy was to use available funds to improve existing facilities, so the Renovation Pool is being used to complete some projects (e.g., golf courses) and to address lodge rooms and cottages where their poor condition is impacting their marketability. He noted that last year a majority of the maintenance pool was used to address infrastructure issues (e.g., roofs, sewers). However, only about \$4 million was available, and the needs totaled over \$35 million so that will be an ongoing need.

Relative to the campgrounds, Commissioner Ward said amounts from the Parks Renovation Pool will be used to hire a consultant to evaluate the trends and needs before spending additional funds. He noted that some locations (near interstates) may be ideal for establishing RV parks, while primitive cabins might be built at other locations that are not as accessible. He added that utilities also must be addressed. Many sites do not have a sewer hookup, and cable TV and internet access are new needs on the horizon. The Department hopes the consultant's work can be finished by the end of the calendar year.

Council on Postsecondary Education (CPE) - Sandra Woodley, Vice President for Finance, reviewed the handout that was distributed to members. She noted that the CPE plan includes technology projects for the agency as well as projects involving collaboration and coordination among the state's postsecondary institutions. Ms Woodley said technology that provides for access and distance learning will help address two goals of the system - making postsecondary education affordable for citizens, and doubling the number of Kentuckians who have at least a baccalaureate degree.

After noting that 12 technology projects are included in the CPE agency plan, Ms. Woodley highlighted a few of the projects - acquisition of a Knowledge Resources Management System to replace the current 30-year-old data collection system with a web-based system that can also connect with other databases, replacement of the six-year-old library management system and expansion of the electronic databases used by the Kentucky Virtual University and the Kentucky Virtual Library, and implementation

of new collaborative initiatives with the institutions for video conferencing and interactive television. She concluded by noting that the proposed projects address three principles - collaboration, efficiency, and affordable access.

After recessing for lunch at 11:30 AM, the meeting was called back to order at 12:30 PM.

University of Kentucky (UK) and UK Hospital – President Lee Todd reviewed a brochure that had been distributed concerning the UK plans. He said the University's top priority for state funds is the Biological Pharmaceutical Complex Phase II project. President Todd said the initial plan was to construct the new building authorized in the 2004-06 budget between the existing pharmacy and biology buildings. However, when the project was not fully funded, it was decided to build a first phase as shelled space next to the recently completed Biomedical Biological Sciences Research Building (BBSRB). There would be savings of about \$10 million since utilities were already available at the site. The Phase II project would fit up the shelled space to be occupied by the College of Pharmacy, and the Biology Department would expand into the vacant pharmacy building.

President Todd noted that 100% state funding is proposed for this project. While recent funding for research buildings has reflected a 60/40 split between state and agency funds, he said this places a burden on a university trying to build a research program while competing with institutions that have already established programs and facilities. Having to use research income for debt service reduces the funds available for faculty and other needs.

President Todd also expressed support for the CPE proposal to separate capital projects into two categories – educational and general, and research and economic development. He has spoken to some legislators about possibly funding research buildings through economic development bonds.

Other high priorities for construction as discussed by President Todd are the agency bond funded Patient Care Facility-Phase II, the Gatton Business Building Complex (to be constructed on Euclid Avenue), a new Law School Building (to be located on Scott Street), a Bio-Medical Research Building, a building for the Colleges of Medicine and Dentistry, a Digital Technologies Building (to consolidate the Computer Science Department), renovation/expansion of the Chemistry-Physics Building, and a Phase II expansion and upgrade of the Livestock Disease Diagnostic Center. Other high priorities for state funding are a life safety projects pool and a research equipment replacement pool. President Todd said there is also a need to raise the threshold for equipment purchases that require budget authorization; that level is now \$100,000.

Responding to a question from Mr. Hintze, President Todd said one approach to funding research facilities would be for the state to pay 100% of the debt service for the first 10 years and the university to pay that cost for the last 10 years of the bond issue.

This is done in Texas, and is especially important to help the state establish sufficient facilities.

Mr. Hintze asked whether UK had done an internal assessment of its debt capacity for “self-funded” projects. President Todd said the Hospital has been establishing reserves that should help it obtain a AA or higher rating on its bonds. Relative to other areas, UK Vice President for Planning, Budget and Policy Angela Martin said the University is developing a formal debt capacity policy to be taken to the Board of Trustees for approval. It will be patterned after the state’s policy, which is based on revenues, and will be set up by entity (e.g., housing, dining, etc.).

Responding to Representative Clark’s question about raising the equipment authorization threshold, Ms. Martin said an increase to \$250,000 would be very helpful. She said there also should be increases in the \$400,000 construction project authorization threshold and in the \$100,000 limit on projects the University can do in house (the “force account”). Mr. Hintze noted that the authorization thresholds had been raised only once in the past 26 years, and Representative Clark said the Board should work on a recommendation to address this issue.

President Todd responded to Representative Clark's question about why the current biological/pharmaceutical authorization was being constructed as shelled space by noting that the funding was insufficient to provide a functional building such that it would have been a waste of money to try to do so. The space can be completed floor by floor if necessary. UK constructed an additional floor in the BBSRB as shelled space and received federal funding to complete it.

In response to another question from Representative Clark, President Todd said the UK and UL proposals for bio-safety level 3 labs are not in conflict.

Senator Westwood asked the status of the discussion about using economic development bonds for some postsecondary education projects. President Todd said there have been no formal discussions, but it has been mentioned to legislators and to the Governor. He noted that UK's research increased by \$36 million this year, and the state is probably providing numerous incentives to attract companies that have revenue streams of \$36 million. He noted that this approach had been discussed in Illinois.

Responding to Senator Westwood's questions about the Coldstream Research Campus, President Todd said the property is not sold, rather the tenants have long term leases with that income being reinvested into the Park.

Western Kentucky University (WKU) - John Osborne, Associate Vice President of Campus Services and Facilities distributed a handout about the WKU plan. He said much had been accomplished to improve and update the WKU campus in the past two years,

but more is needed to address the backlog of deferred capital renewal. He urged that the capital renewal matching fund pool be restored for the 2006-08 biennium.

Dr. Osborne then reviewed WKU's top five capital project priorities - replacement of the College of Education building (Tate Page Hall), replacement of the Gordon Ford College of Business, renovation of the Ivan Wilson Center for Fine Arts, Phase 2 of the Materials Characterization Center, and Phase 2 of the Owensboro Advanced Technology Center.

Senator Westwood asked about the land acquisition costs associated with the new College of Education and College of Business buildings and expressed concern about why a 35-year-old building (College of Education) is obsolete and needs to be replaced. Dr. Osborne said it will be necessary to maintain ongoing programs in the existing facility during construction and to provide new building sites the campus master plan calls for some property acquisition to expand the landlocked campus. He explained that Tate Page Hall has serious mechanical, structural, and other problems; it was also an experimental design such that restoration to its original condition would still not meet today's programmatic needs.

Responding to Mr. Hintze's question about WKU's support for the matching funds maintenance pool, Mr. Osborne said WKU is realizing \$1.5 to \$2 million from a student fee that has been imposed to generate funds to reinvest in the campus; these funds can be used as WKU's match to access maintenance pool funds. He said the top capital renewal issue on the campus now is the inadequate underground electrical infrastructure.

In response to Representative Clark's question about legislation requiring the establishment of a capital renewal fund for new projects, Robbin Taylor, Assistant to the President for Governmental Relations, said WKU has concerns about the specifics of the current proposal but agrees with the concept in principal.

University of Louisville (UL) - Larry Owsley, Vice-President for Business Affairs, reviewed a handout that had been provided to members. He said UL's capital plan focuses on projects that support and enhance three things related to House Bill 1 (the 1997 Postsecondary Education Improvement Act) - capital renewal of existing facilities, research and economic development initiatives, and the quality of the educational experience for students.

He said UL's top priority is a Capital Renewal Pool. Responding to a question from Mr. Hintze, he said he did not propose an institutional matching requirement for 2006-08 because in the current biennium UL has been funding these projects without any help from the state. He said facilities need to be viewed as assets of the state, but a shared policy relative to the pool probably needs to be developed.

Mr. Owsley then addressed the Health Sciences Research Facility IV project (Priority #2) explaining that it will complete the project for which partial funding was authorized in the current budget. The current (2004-06) funding will provide a freestanding, functional facility, but it is being designed with infrastructure and systems to be shared with the Research Facility IV to be located adjacent to it. Shared funding (60% state-40% agency) is being proposed; however, Mr. Owsley noted that when federal overhead cost recovery must be used for debt service, it cannot be used for other needs.

Other projects described by Mr. Owsley were renovation of the medical/dental research building, construction of a center for predictive medicine, development of the Shelby Campus and downtown research parks, renovation of the Life Sciences building, construction of a Belknap classroom/research building, purchase of land for support services, construction of a residence hall and dining facility, and various athletic facility projects (to be financed from private donations).

Mr. Owsley said UL supports legislation (2005 HB 45) to allow the issuance of bonds for projects that have an independent revenue stream to finance the debt service. He also expressed support for raising the construction and equipment thresholds for planning and budgeting, and raising the force account to \$250,000.

In response to Mr. Hintze's question, Mr. Owsley said Papa Johns Cardinal Stadium is designed to handle the second deck that is now being proposed; planning is underway to see if such an expansion is economically feasible.

Responding to Representative Clark's questions about the UK and UL bio-safety level 3 lab proposals, Mr. Owsley said the projects are not redundant. They have different focuses and both are needed.

Northern Kentucky University (NKU) - President James Votruba provided a handout to the Board. He said NKU's capital plan aligns with both the mandates of HB 1 and with the needs of the nine-county Northern Kentucky region. He noted that limited physical facilities are restricting NKU's capacity to grow and its ability to help the region. Two facilities are proposed that would directly impact regional economic growth while allowing NKU to expand its enrollment - the Center for Informatics and the Health Innovation Center. Other priorities are renovation of the Old Science Building and obtaining agency bond authority for the Student Union Building.

President Votruba explained that the Center for Informatics would house the Institute for Information Innovation, which is one of four or five proposed "impact centers" designed to link the knowledge resources of the university with the needs of the community. To discuss this concept further, President Votruba introduced Mr. Bob Farrell, NKU's Associate Provost for Economic Initiatives, who has been involved in similar activities at the University of Cincinnati and in the private sector. Mr. Farrell said

the impact centers allow students to be involved in both entrepreneurial and classroom activities. He said major companies are willing to provide resources to help start a center to address interoperability of health care information technology, but he is concerned that the necessary facilities and equipment will not be available to meet the need. President Votruba added that NKU's intent is not to become another research university but to relate instructional activities to application and commercialization.

In response to a question from Senator Westwood, President Votruba described the Angelou Report that had been prepared by the Tri-County Economic Development Corporation noting that it expressed the need to build the educational capacity in the region to support industry clusters such as logistics management and pharmacological and health-related industries.

Responding to Representative Crimm's question, President Votruba said ten percent of NKU's students live on campus, and ten percent of the enrollment is at off campus sites.

Mr. Hintze asked about the condition of the campus infrastructure. Vice President for Administration and Finance Ken Ramey said while NKU is the newest university in the system (constructed in 1972) and an effort has been made to address maintenance needs, some of the facilities are beginning to need more attention.

Murray State University (MuSU) - Mr. Tom Denton, Vice President for Finance and Administrative Services, and Dr. Dewey Yeatts, Chief Facilities Officer and Associate Vice President, presented the MuSU plan. In his update on the Blackburn Science Building replacement project, Dr. Yeatts explained that when the Phase I funding was authorized, MuSU realized it would be necessary to construct a series of buildings (biology, chemistry, and engineering and physics) so the heating and cooling plant for the entire complex was incorporated into the first facility.

Dr. Yeatts noted the need to address the backlog in capital renewal, then discussed MuSU's top five projects as proposed for 2006-08. They are the third phase of the new science complex (construction of the physics building and razing of the Blackburn building), replacement of the public safety building, a new agricultural technology telecommunications center, replacement of the Breathitt Veterinary Center (to be located on the Hopkinsville Campus), and a new business and public affairs building.

Representative Clark noted the need for the new Breathitt Veterinary Center because of the large amount of food production in the area and asked about the incinerator for the current facility that was authorized in the 2004-06 budget. Dr. Yeatts said it could be moved to the new location. In response to Senator Westwood's question about the significant increase in the cost estimate for the new facility since the last plan submission. Dr. Yeatts said he would look into the reason and forward that information to CPAB staff.

Responding to Mr. Hintze's questions about residence hall projects to be financed from agency bonds, Dr. Yeatts said the priorities for replacing the four low-rise buildings are Clark, Richmond, Franklin, and Springer. There are also five high-rise dorms at MuSU.

Morehead State University – President Wayne Andrews reviewed the brochure that had been distributed to the Board. It described the University's top five priorities - a new Center for Health Education and Research (a joint project with St. Clair Regional Medical Center for which federal funds are also being sought), Phase 2 of the Student Center renovation and addition project for which Phase 1 was authorized in 2000-02, renovation of the Combs Classroom Building, renovation of the Baird Music Hall, and renovation and expansion of the Camden-Carroll Library. President Andrews said he also wanted to reiterate the need to improve infrastructure on the campuses and the need for authority to issue agency bonds based on the institution's own bonding capacity.

Mr. Hintze said there is a lot of attention paid to maintenance during the planning process, but attention to the issue usually gets diluted during the budget recommendation and approval processes. While the current budget provided \$2 billion of new bonds for projects, with other less visible needs dropping by the wayside, he said he hopes that is a temporary situation.

Kentucky State University (KSU) – Dr. Rubye Williams Jones, Associate Provost and Vice President for Student Affairs, and Michelle Brown-Rall, Associate Vice President for Facilities Operations, presented the KSU capital plan. Dr. Jones said the focus of the plan is on renovation of academic facilities including capital renewal and maintenance as well as technology implementation and related infrastructure improvements. Ms. Brown-Rall circulated a drawing of KSU's proposed environmental education center to be located on a 300-acre parcel in Henry County; she then reviewed a handout that had been prepared for the Board.

KSU's priorities for 2006-08 are completion of the Hathaway Hall renovation; expansion and renovation of Bradford Hall; a new parking structure (to be financed from agency bonds); renovation and expansion of the Betty White Health Services Building; various information technology projects (online infrastructure upgrades, online security, and online voice centrex replacement); Hill Student Center third-floor build out (to complete the 2000-02 project authorization); renovation of Jackson Hall; and project pools (for roof repairs and replacement, life safety upgrades, and capital renewal and maintenance). Ms. Brown-Rall also identified the land-grant program projects that would be financed from federal funds.

Mr. Hintze asked if KSU was confident of having the ability to support \$7 million in agency bonds proposed to be issued for construction of a parking garage. Ms. Brown-

Rall said that is being examined, but there would be parking revenues and possibly other assessments or auxiliary funds that could be used to support the debt service.

In response to Mr. Hintze's question about having a matching requirement in order to access maintenance funds, Ms. Brown-Rall said KSU is making efforts to ensure that funds are available in its budget if such a match is required.

Senator Westwood noted that the staff analysis referenced the possibility of replacing rather than renovating Bradford Hall. Ms. Brown-Rall said that has been discussed for Bradford Hall as well as for Young Hall. Mr. Vanhook indicated it would be important to compare the cost per square foot for renovation to the cost for new construction, which would also address infrastructure, technology and other items. Mr. Hintze noted that there are provisions in the capital construction statutes that could provide funding for further analysis of these issues without waiting to go through the budget process.

KY Community and Technical College System (KCTCS) – Ken Walker, Vice President for Finance, presented the KCTCS plan. He reviewed the mission of KCTCS and noted the significant enrollment increases that have been realized since the system was created in 1997. Mr. Walker said the top priority is a capital renewal and maintenance pool; KCTCS incorporates \$2.5 million annually into its operating budget to address these needs and to provide matching funds if required to access a state funded pool. The next priorities would further expand KCTCS by creating new space and building new facilities (Paducah, Louisville, Somerset, Northern Kentucky, Ashland, Owensboro, Madisonville/Muhlenburg County, and Elizabethtown). Other priorities are renovations in Louisville, Bowling Green and Madisonville. Mr. Walker said KCTCS is serious about growing enrollment and about meeting the needs of business and industry. He said some of this is being done through expanding the use of technology and making use of space off site, but on-campus facilities also need to be maintained, improved, and expanded.

In response to a question from Senator Boswell, Mr. Walker explained the planning and prioritization process used by KCTCS. He said factors taken into consideration include whether the project is an infrastructure project to integrate administrative functions within a district or systemwide, is to complete a project that was previously funded, is to address life safety or health, is to protect investment in plant, is to provide an economic development stimulus, is likely to have matching funds or private funds available, is to further the strategic plan of KCTCS, and/or is in cooperation with another university.

Mr. Hintze asked the status of fundraising for projects authorized by the 2005 General Assembly that have requirements for private or other non-state funds. Mr. Walker said he did not believe the matching funds were a requirement, rather if they are available, the restricted funds could be used to increase the scope of the project. Mr. Gary

Cloyd, KCTCS Director for Facilities Management, said the Henderson project is being scoped at a level that does not include the restricted funds. He added that most of the restricted funds for the Winchester project are already in hand, and fund raising is underway for the Madisonville, Owensboro, and Franklin projects.

Eastern Kentucky University (EKU) – Mr. James Street, Director of Facilities Services presented the ECU plan focusing on the top priority – construction of a new science building. He noted that when the current science buildings were constructed, the slide rule was the most technically advanced personal computing device available. These buildings have not been modernized to keep pace with the changing technology and are inadequate in terms of both safety and functionality to address the needs of ECU students, all of whom must take basic science classes.

Responding to Mr. Hintze's question as to whether construction of a single building or a multi-phase project is being considered, Mr. Street said ECU would prefer to receive the entire funding at one time and construct a single facility but realizes it may be necessary to receive the money in multiple installments.

Council on Postsecondary Education Recommendations – Ms. Ingram noted that, as in the past, the CPE had been asked to review and make recommendations on the capital projects that were submitted by the postsecondary institutions. Representative Clark thanked President Layzell for hosting the CPAB meeting and asked him to proceed with his presentation.

In reviewing the handout that had been distributed to Board members, President Layzell described the year-long process that has been underway to review its public agenda and the financing of that agenda. He provided an overview of the CPE's capital recommendation for 2004-06 and the projects that had been authorized by the 2005 General Assembly. President Layzell also reviewed the Capital Planning Priorities Model that is being developed by CPE, including the project categories (Capital Renewal, Maintenance, and Life Safety; Education and General projects; and Research and Economic Development projects) and the project evaluation criteria. He added that the Commonwealth Office of Technology had delegated to the CPE review of the information technology projects in the postsecondary institutions' six-year plans.

Mr. Hintze noted that the current budget provided significant appropriations for information technology in areas of government other than postsecondary education.

There being no further discussion, the first day of the meeting was recessed at 4:40 PM.

The meeting reconvened at 9:00 AM on Wednesday, July 13.

Cabinet for Health and Family Services (CHFS) – Mr. Mike Burnside, Undersecretary for Administrative and Fiscal Affairs, reviewed some overview material in the handout distributed to members, then introduced Mr. Rob Edwards, Executive Director for the Office of Fiscal Services, to address the substance of the six-year capital plan.

Mr. Edwards noted that through working with the Finance Cabinet, in the last two years CHFS has implemented ten lease consolidations with annual savings of \$200,000. There are 29 additional proposals that could result in the consolidation of two or more leases. He then reviewed the Cabinet's top ten infrastructure funding priorities – a maintenance pool for Department for Mental Health/Mental Retardation Services facilities, a project to address the safety and treatment of patients at Oakwood as called for in an agreement with the US Department of Justice (phase II would expand the project to Kentucky's other intermediate care facilities for the mentally retarded), re-write of the TWIST computer system including implementation of a wireless handheld system for social workers in the field, replacement of chillers and heating and cooling lines at Oakwood, the second phase of a computer server refresh, a system to transmit results of the newborn screening tests back to hospitals and doctors, a pool to address roof maintenance, a network infrastructure upgrade, continued implementation of the Kentucky Vital Statistics (information technology) System, and a pool to address chiller needs.

Mr. Edwards then addressed three items that had already been mentioned. He explained that the Kentucky Health Information System project was intended to provide for a common infrastructure that would allow interoperability among all of the main computer applications within the Cabinet, as well as the sharing of data with other agencies. He said the Local Health Department Data Management System project would replace the existing personal service contract and provide for a new statewide application for local health departments. Finally, he addressed the proposal from the Bluegrass Mental Health Board to construct a new facility in Lexington to replace Eastern State Hospital in return for having a long-term contract with the Cabinet to operate the facility. Mr. Edwards said CHFS Secretary Holsinger has requested an Attorney General's opinion as to whether this type of relationship needs to be bid out and will not proceed without that opinion and without additional public discussion of the proposal.

In response to Senator Boswell's request for clarification of the ESH proposal, Mr. Edwards said the Bluegrass Mental Health Board would contract out construction of a new facility, which it (not the state) would then own. The Board would operate the facility under a contract with the state, as it does now with the existing ESH facility. According to Mr. Edwards, one advantage is that the state would not be responsible for maintenance needs of the facility.

Mr. Hintze noted that the state has leased facilities for extended periods of time, but each of the agreements has been biennially renewable. A proposal that depends on an

outside entity borrowing significant funds and counting on the state's long-term commitment to participate in paying for the construction and operations is a different situation. Mr. Edwards said if this proposal proceeds, the CHFS would work with the Finance and Administration Cabinet to follow the procedures used in other state construction projects.

Mr. Hintze then commented on the large cost of the information technology (IT) projects being proposed in this and other plans. He noted that currently the primary means of funding these projects is through issuing 7-10 year bonds. The cost would be even higher if the bonds were issued for a shorter term to correspond to the 3-4 year life cycle of the items, which has been identified as the industry standard. While legislation to provide for capital renewal of facilities has been discussed, there is not a counterpart proposal to fund the renewal of information technology. Mr. Hintze noted that IT was a minor item when the planning process was established in 1990; it has become increasingly significant but the funding mechanisms have not been adjusted accordingly. He said he hopes to stimulate further dialogue on the public policy issue of financing information technology for the core operation of state government's programmatic cabinets and the universities.

Senator Westwood said this should be a topic for further discussion by the Board. He said there should be a way to work with the Commonwealth Office of Technology to consolidate some of the IT costs.

Mr. True asked for clarification on the Kentucky Health Information System project. Mr. Sam Dunn, Chief Information Officer for CHFS, explained that the system is to provide a framework for the standardized sharing of information across major applications within the Cabinet, rather than having "silos" that are not fully utilized and in which the same components are developed each time they are needed in an application. The intent is to develop basic components one time and use them in multiple applications. The first use will be within the Cabinet, but there is a possibility of extending the system into the private sector. In response to a further question from Mr. True, Mr. Dunn said the project has been staged so that if only the first phase is funded and implemented, there will be significant benefits but the future phases will provide additional functionalities.

Senator Westwood asked about the previously authorized Children's Health Information System, which the Cabinet's plan described as not providing a viable system. Mr. Edwards said the Inspector General's report on the project is not yet available, but the equipment purchased with the funds is now being used elsewhere within the cabinet and an effort is being made to determine how some of the code that was developed might be used in other areas. He said he did not know the role of COT in the project, but would follow-up and respond to the Board.

Justice and Public Safety Cabinet – Handouts related to the plans of the Kentucky State Police and the Department of Corrections were provided. Mr. Greg Rush, Staff Assistant, noted that the administrative offices of the Cabinet and offices of the Kentucky Department of Vehicle Enforcement recently relocated to the State Office Building Annex on Holmes Street. He then introduced Commissioner Bridget Brown to present the plan for the Department of Juvenile Justice.

Commissioner Brown's presentation focused on the two-phase, web-based digital video surveillance project, which would replace the analog equipment that is now being used in the residential facilities. Since submitting the project to be totally financed from state funds (\$10.5 million), the Department has identified \$800,000 in federal funds (juvenile accountability block grant) that will allow implementation of the system in at least three sites. In response to Mr. True's question, Commissioner Brown said the project is listed as two priorities because the Department did not believe it could obtain federal funds for the central archive (priority #2), but was hoping amounts for the individual sites (priority #3) could be identified from other sources. However, the entire \$10.5 million is needed in order to have a functional system.

Senator Westwood asked why state funds are being proposed for repairs at the two-year old Laurel County Juvenile Detention Center when the party responsible for the settlement problems has not yet been identified. Mr. Rush said the project was listed in the plan to be sure the need was on record, but state funds will not necessarily be required.

The plan for the Kentucky State Police (KSP) was presented by Commissioner Mark Miller. He said the plan reflects capital needs in six general areas – a new training facility, replacement of posts, technical/computer needs, laboratory needs, aircraft needs, and maintenance needs. The number one priority is a new training facility to replace the converted hotel in Frankfort which serves as both the training academy and KSP headquarters. Commissioner Miller noted that operating its own facility is a historic part of the tradition of the KSP. Also listed as high priorities are the replacement of three post facilities – Harlan, Columbia, and Richmond. Finally, Commissioner Miller identified maintenance needs since 12 of the 16 posts are 20 years old or older.

Senator Boswell thanked Commissioner Miller for security provided by the KSP for the General Assembly. Relative to the proposals for new facilities for the regional laboratories, he asked whether there could be more consolidation/regionalization of the labs so equipment can be shared and better utilized. Commissioner Miller said he would ask staff to look at the issue of consolidation but noted that there is not a problem of underutilization of equipment. He said about 80 percent of the work at the labs is for local agencies rather than for the KSP and consolidation – especially into the Frankfort lab - could present problems for officers having to spend long periods of time transporting evidence back and forth to Frankfort. He said the KSP is constantly evaluating the lab operations to increase efficiency.

In response to questions from various members, Commissioner Miller said the plan submission identifies Franklin County as the site for the new training facility because that is the location of the existing facility. However, the Department recognizes the efficiencies and has been discussing the possibility of constructing it near other law enforcement buildings on the Eastern Kentucky University campus in Madison County.

Mr. Hintze noted that the proposals for new post facilities reference a standard design and urged that the Finance and Administration Cabinet be consulted to ensure that all costs –including communications towers – are accounted for in the cost.

Deputy Commissioner Herb Bowling presented the plan submitted by the Department of Criminal Justice Training. He identified the proposed projects as a new multi-purpose training facility and addition to the residence hall, as well as expansion of the driving track and firing range. He said training demands will increase based on the number of law enforcement officers anticipated to retire over the next several years. Ms. Northern commended the Department for working with the Kentucky Virtual University to put some of its training courses on line; this should save money and extend accessibility.

The plan for the Department of Corrections was presented by Commissioner John Rees. He noted that in addition to the 14 facilities operated by the Department, another contract facility would go on line in early August. He said the current inmate offender population is now slightly over 19,000 and the population under probation or parole supervision is nearly 35,000.

Commissioner Rees identified the four highest priorities of the Department as renovation of a facility at the Kentucky Correctional Institution for Women to provide a specialized psychiatric program, demolition of a dormitory at the Kentucky State Reformatory to be replaced in a future biennium by a 256-bed segregation unit, an already planned 800-bed expansion of the Little Sandy Correctional Complex, and construction of a 256-bed segregation unit at the Roederer Correctional Complex.

Mr. Hintze noted the difficulty of synchronizing the timing of construction with when the beds need to be available, especially given the volatility in the inmate population growth. He asked how critical it is for the 2006 General Assembly to address the highest priority, population-driven capital projects that have been proposed. Commissioner Rees said they are absolutely needed and that the population projections will be updated in August and September. Commissioner Rees added that it is difficult to balance the interaction between the availability and use of local jail facilities with the state offender population growth.

In response to a question from Mr. True about proposals for alternatives to incarceration, Commissioner Rees said he thinks the Chief Justice is looking at possible

changes in sentencing guidelines. He said the majority of the population growth is in Class D felonies, particularly due to drug related offenses. He said 1,200 drug treatment beds have been added in the last 18 months with 1,000 more expected in the next year and the Recovery Kentucky Centers proposed by the Governor should help but not immediately. Commissioner Rees said he does not believe the state can incarcerate its way out of the drug problem. Representative Clark said he agreed and noted it has been a long standing recommendation of the Board that alternatives to incarceration should be examined. Commissioner Rees added that the General Assembly has authorized the further development and expansion of electronic monitoring which is a less expensive alternative to incarceration.

Representative Clark noted that when the new Little Sandy facility was being completed, there was a question as to whether the beds would be needed and asked why a need for additional beds is being projected now. Commissioner Rees said projections indicated that fewer medium custody beds would be needed, so some minimum custody prisoners will be housed there. He said previous projections did not distinguish among classifications or gender, but now efforts are being made to do projections based on classification and to separately project the need for beds for females. Commissioner Rees said the population spike in 2004 was not anticipated and appears to relate to elimination of the drug evidence backlog at the State Police labs.

Responding to Senator Westwood's question about the use of electronic monitoring especially for sex offenders, Commissioner Rees said the use of GPS monitoring will help, but it is not a fail-safe situation or panacea. He said this will also increase probation and parole caseloads and the amount of supervision required.

Department of Military Affairs (DMA) - Adjutant General Donald Storm reviewed the handout that had been distributed to members. He noted that the federal military is the primary driver for the Department's capital needs, but also important are the needs of statutory state operations and the self-sustaining quasi-commercial facilities operated by DMA. He said Bluegrass Station is a success story, but is very expensive and cumbersome to operate because of the age of the buildings. General Storm explained that the state is responsible for maintenance of the armories and said a pool of funds is needed to address the maintenance backlog. He said a separate Capital City Airport maintenance pool is also needed, as are an aircraft maintenance pool and a pool for maintenance of the DMA emergency radio system. Regarding the radio system, General Storm said there is a federal deadline and mandate to move to narrow band by January 1, 2006. Kentucky has applied for but not yet received \$2.5 million in federal funds for this purpose.

In response to a question from Representative Crimm, General Storm said there is room in Louisville for the additional planes that would be located there as a result of the BRAC (Base Realignment and Closure) proposal.

Regarding Mr. True's questions about Bluegrass Station, General Storm said funding is needed for maintenance of existing buildings and for extension of the water and sewer in order to allow for expansion. The goal is for it not to become cost effective for the special operations command to ever leave that installation.

Responding to Mr. True's questions about proposals for the Capital City Airport, General Storm said it is not his intent to change the mission of the facility or to increase traffic. The runway extension is needed because the facility is currently operating on the basis of a waiver. He said a new federally-funded facility is proposed for 2008-2010, but will not increase the number of military aircraft.

Department of Veterans Affairs (DVA) – After distributing a handout to the Board, General Les Beavers said the Department has a four-part mission - health care, benefits work (e.g. filing claims for veterans), the cemeteries, and special programs (e.g., the homeless facility). He said DVA's top priority is a video medical diagnosis system that will connect the nursing homes with medical facilities. Other proposed projects for the planning period as described by General Beavers include the construction of state veterans cemeteries in Northeast Kentucky (on I-64 at Route 67) and Southeast Kentucky, construction of a Homeless Veterans Shelter in Jefferson County, and expansion of the Western Kentucky Veterans Nursing Home. General Beavers said the FY 2005/06 federal budget has a moratorium on new bed construction in order for a long-term care strategic plan to be completed. That plan will address the bed capacity that is needed and may place an emphasis on increasing the amount of non-institutional care that is provided.

Mr. True expressed his concern about the inconsistency between the emphasis on non-institutional care in the Medicaid and Medicare programs and the proposed construction of additional veterans nursing home beds. He also noted his concern about the costs that will be incurred by the state to maintain these facilities. General Beavers said the cost of the nursing home care is not all borne by the state, but is partially paid by the federal government and the veterans themselves.

Personnel Cabinet - Mr. Wayne Harmon, Commissioner for the Department for Personnel Administration, distributed a handout concerning the proposed personnel/payroll system replacement. The current budget provides \$25 million for the project, with the capital plan proposing an additional \$20 million for 2006-08. Commissioner Harmon said the Cabinet is working with COT and has put together a team of representatives from various agencies to map the processes involved and to ensure the system will serve the needs of all of state government. He said the first phase (2004-06) will provide the basic foundation of the system, but the second phase (2006-08) would allow for more self-service access to the system and reduce the personnel needs of the system.

Mr. Hintze asked if the core functions will be provided by the current funding in the event the second phase is not approved by the 2006 General Assembly or if any critical items are included in the second phase. Commissioner Harmon said the core functions would be there, but phase two will provide for a more efficient system. In response to a further question, he said it might be possible to implement some of the additional features if less than the full \$20 million is available. Senator Westwood asked about the savings that would occur by fully implementing the system in 2006-08. Commissioner Harmon said two studies have shown a positive return on investment from full implementation.

Northern Kentucky Convention Center - Mr. Charles Wheeler, Executive Director, provided a handout concerning the Center explaining that it was constructed for economic development purposes and is wholly owned by the Commonwealth. He said the success of such a facility is dependent upon being well maintained and being adaptable to changing technology needs of users. However, there are not adequate facility-generated or other revenues to offset the costs of any major capital investment that may be needed. Among the project needs at this time are replacement of the aging telecommunications switch, and the installation of roof and wall anchors to comply with OSHA standards for window cleaners.

Mr. Hintze explained that this major state-funded facility is an "organizational orphan" that is not attached to any cabinet through which funding requests for capital needs can be made. He said he has had preliminary discussions about this with Commerce Secretary Host and that it may be appropriate for the Center to be attached to the Commerce or Economic Development Cabinet, or possibly the Finance Cabinet. This could be done by executive order followed by an statutory enactment.

Department of Education - Since the Department chose not to make a presentation on its plan, CPAB staff included in its presentation an overview of the proposed projects and indicated that staff of the Department were in attendance to respond to any questions.

Senator Westwood asked the age of the Student Center Building at the School for the Blind and why its replacement is being proposed. Mr. Bill Stearns, liaison for the State Board to the School for the Blind and School for the Deaf, said the facility is 28-30 years old. The gym has windows running from ceiling to floor, the bowling alley is outdated, and the dining facilities are inadequate for the number of individuals served.

In response to Mr. Hintze's question about the multi-biennium phasing of the various proposed IT projects, Robin Kinney, Associate Commissioner of Internal Administration, said it is difficult to address the impact if all of the proposed funding is not received. She said a Request for Proposals for the assessment system is being prepared, and that information should help better define the cost.

After recessing for lunch at 12:30 PM, the meeting was called back to order at 1:00 PM.

Education Cabinet – Handouts were distributed concerning the plans for Kentucky Educational Television (KET) and the Department for Workforce Investment (DWI). Secretary Virginia Fox said the purpose of the Cabinet is coordination of seamless access to life-long learning and workforce readiness, and that its capital projects support that effort. Projects proposed for 2006-08 were identified and discussed as follows: maintenance pools for DWI and KET facilities, an HVAC replacement project at the Winchester DWI building, an addition to the Department for Libraries and Archives (KDLA) building in Frankfort, replacement of the master and studio control systems at the KET Network Center, replacement of the KET information technology infrastructure, an ADA barrier removal pool for DWI, and a dormitory renovation project at the Carl D. Perkins Rehabilitation Center in Johnson County.

Regarding the KDLA project, Ms. Wheeler noted that the lack of records storage space in Frankfort has resulted in having to construct space in new court facilities to accommodate the records. She said it would be more cost effective to provide for records storage in Frankfort and to allow additional space in the county facilities to be used for court-related expansions rather than records storage.

Mr. True asked about a new state office building for DWI that had been planned for Winchester. Mr. Hintze explained that due to insufficient funds and the lack of community agreement about the location, the project was abandoned and the funds were reauthorized and redirected by the 2005 General Assembly to construct a Winchester building for Lexington Community College.

Addressing the issue of vacant space in the Louisville DWI building, Secretary Fox said they are working with the Finance Cabinet to find a tenant, but there are HVAC problems. Projects using Energy Savings Performance Contracts are being proposed to address these needs in Louisville and at the Perkins Rehabilitation Center.

Kentucky Retirement Systems (KRS) - Mr. Don Mullis, Chief Operations Officer, described the proposed project to replace the 35-year-old COBOL-based information technology system currently used by KRS. Funding would be from restricted funds.

In response to a question from Mr. Hintze about coordination and interfaces with the new personnel/payroll system and about the involvement of COT in this project, Mr. Mullis said KRS has had discussions with the Personnel Cabinet and does adhere to the architectural and similar requirements of COT.

Kentucky River Authority (KRA) - Since the Authority chose not to make a presentation, CPAB staff gave an overview of the on-going transfer of the 14 locks and

dams from federal ownership to the state and the proposed projects. KRA Executive Director Steve Reeder was available to respond to questions.

Mr. True asked whether it would be necessary to rebuild Dam 9 and raise Dam 10 if a pipeline was built from Lexington to the Ohio River to increase the raw water supply. Mr. Reeder said it might eliminate the need to raise Dam 10 to increase supply by 1.6 billion gallons, but that both dams must still be renovated since they are structurally unsound; the loss of these dams would leave water intakes dry impacting 300,000 to 500,000 citizens and many businesses including East Kentucky Power and Toyota.

Since the Dam 10 project is authorized and being managed as a federal project; the state pays 20% of construction costs and 100% of the real estate costs. Mr. Reeder said that the costs for Dam 10 are high due to federal regulations, and the project would be a lot less if it was a state project. In response to a question from Representative Clark, Mr. Reeder said the real estate cost is about \$16,000,000.

Mr. Reeder noted that the Bluegrass Water Supply Consortium, a legal entity made up of several cities such as Lexington, Frankfort, and Winchester, plans to install interconnecting pipelines and build a water treatment plant in Pool 3 above Frankfort because of its interest in increasing the water supply. He said \$300,000 in state funds were used in Fall 2004 to shore up a portion of Dam 3.

Kentucky Lottery Corporation - Since the Lottery Corporation chose not to make a presentation on its plan, CPAB staff included in its presentation an overview of the proposed projects and indicated that Mr. Howard Kline, Senior Vice President, and Mr. Harvey Roberts, Senior Vice President for Information Technology were available to respond to any questions. There were no questions.

Transportation Cabinet - Ms. Debra Gabbard, Executive Director of the Office of Budget and Fiscal Management, presented the Cabinet's plan. Recognizing that every Road Fund dollar spent on a capital project is a dollar that is not available for construction or maintenance of the state's road, she said there is a careful review of the proposed capital projects. Maintaining the Cabinet's statewide facilities is always the highest priority with various maintenance pools accounting for slightly over 70% of the dollars in the first biennia, including the pool to maintain roads at the state parks.

Ms. Gabbard said another critical need is to replace the HVAC system in the Flemingsburg District Office Building although it is hoped that recent repairs will keep the system operating until the entire building can be replaced as proposed for 2010-12. Other priorities for 2006-08 are to replace maintenance garages in Larue and Spencer Counties, to acquire a Video Roadway Logging System, and to replace an aircraft (funding would be from the Aviation Economic Development Fund).

In response to a question from Representative Crimm, Mr. Spencer Sullivan, Assistant Director of the Division of Property and Supply, said groundbreaking for a new/replacement District Office Building in Louisville should occur in Summer 2006. It will be located on Westport Road on property already owned by state government. Mr. Hintze noted that with a 1.5 year construction period, the earliest the State Fair Board could have the property for the proposed hotel development would be mid 2008.

Senator Westwood asked about implementation of the Advanced Regional Traffic Interactive Management and Information System (ARTIMIS). Chuck Knowles, Deputy State Highway Engineer, said the Northern Kentucky system and one in Louisville were planned as a multi-phase implementations so they continue to be expanded as funding is available. The Cabinet is on the verge of expanding the same technology into other parts of the state such as Central Kentucky, Elizabethtown, Bowling Green, and Southern Kentucky.

Responding to Senator Westwood's question about the 511 system for getting traffic and weather information to the public, Mr. Knowles said the technology has now been improved so that it can handle increased usage and seasonal spikes.

Mr. Hintze asked about the proposed aircraft acquisition. Ms. Gabbard said the intent is to use it for industrial recruitment in the aviation sector, although it could be made available for broader economic development purposes.

Commonwealth Office for Technology Recommendations - Ms. Ingram noted that, as in the past, the state's information technology agency had been asked to review and make recommendations on the IT projects that were submitted by the agencies.

COT Commissioner Mike Inman first noted that two reorganizations had affected the agency - in 2004 COT was attached to the Finance and Administration Cabinet, and in June 2005, COT's internal processes were addressed. He identified various factors driving information technology in the state including the Governor's "Prescription for Innovation" which is intended to increase the use and availability for IT for Kentucky's citizens. He also noted the rising cost of IT and the need to improve the level and efficiency of service to state employees. With about 1,400 IT workers today including 300-400 contract employees, Commissioner Inman noted that Kentucky is overstaffed but many of the workers have outdated skills and as much as 40% of the IT workforce could retire by 2008.

Governor Fletcher has asked COT to take an enterprise approach to IT standards and services rather than continuing the decentralized approach which resulted in duplication and redundancy among agencies. Commissioner Inman said if it is advantageous to the state, an agency's IT operations will be consolidated under COT. This consolidation process - which is currently in the assessment phase - may take 2 to 3 years.

Regarding the review of agency IT projects proposed in the six-year capital plans, Commissioner Inman said first a list of high value projects was developed based on criteria that measure business value against risk. He then reviewed that list and identified seven projects he, as COT Commissioner, feels are the most important projects that need to move forward in state government. These include the Kentucky Emergency Warning System (KEWS) upgrade, additional funding for the personnel/payroll system, various projects of the Cabinet for Health and Family Services, and Data Center Readiness.

In response to a question from Representative Crimm, Commissioner Inman said COT does not have the authority to tell an agency it cannot propose a project. However the intent is that infrastructure projects be handled centrally by COT and that programmatic business applications be the responsibility of the individual agency or cabinet.

Mr. True expressed concerns about the development of projects and databases that cannot interface with each other. Commissioner Inman said this problem is to be addressed by the new Data Integration Division. He said it is expensive to construct an interface between existing databases, but that will have to be done. Additionally, new systems will be engineered during development to be interoperable.

Responding to Senator Westwood's question about whether it will be necessary to spend money to eventually save money, Commissioner Inman said that will be the case to some extent in the beginning, but Kentucky has the advantage of having a good Data Center. He also noted that about 20 states are currently engaged in IT consolidation.

Referencing the large amount of IT being proposed, Mr. Hintze again expressed the need to identify some options for financing those projects on a timely basis. Commissioner Inman said he would try to help do that.

Mr. Hintze and the Board thanked staff for the materials prepared for the meeting. There being no further business to come before the Board, the meeting was adjourned at 3:05 PM.